

**PUBLIC DISCLOSURE**

OCTOBER 17, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WALTHAM MUNICIPAL EMPLOYEES CREDIT UNION

177 LEXINGTON STREET  
WALTHAM, MA. 02452

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WALTHAM MUNICIPAL EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

A CRA rating of "Satisfactory" is assigned. An industrial institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Two geographical criteria were not considered as the institution defines membership by affiliation rather than location.

The credit union's average net loan-to-share for the previous four semi-annual periods is 53.4 percent and meets the standards for satisfactory performance at this time.

Analysis of the credit union's lending activity by borrower income revealed that 14.4 percent of real estate related loans and 57.8 percent of a consumer loan sample was granted to low and moderate-income members. A rating of "meets satisfactory performance" was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were considered.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Waltham Municipal Employees Credit Union is a Massachusetts chartered credit union, which was incorporated in 1949. The credit union was established to serve the credit needs of the Waltham municipal employees. The credit union's sole office is located at 177 Lexington Street, Waltham, Massachusetts. The office is located within the Waltham Fire Department Headquarters. Office hours are Mondays and Fridays, 11:00AM to 12:30PM, Tuesdays through Thursdays, 11:00AM to 4:00PM. The credit union is closed on Mondays and Fridays during the summer months.

As of June 30, 2002, the institution's total assets were \$7.4 million with total loans representing \$2.7 million or 36.2 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2002, NCUA Call Report of Condition.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>LOAN TYPE</b>	<b>AMOUNT</b>	<b>%</b>
Second Mortgages	\$1,022,333	38.3
Personal Loans	\$721,797	27.0
New Vehicle	\$709,283	26.6
Used Vehicle	\$216,721	8.1
<b>TOTALS</b>	<b>\$2,670,134</b>	<b>100.0</b>

Second mortgages comprise 38.3 percent of the entire loan portfolio, while new and used auto loans represent 34.7 percent and personal loans represent 27.0 percent of the loan portfolio.

Given its asset size and financial capacity, Waltham Municipal Employees Credit Union has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA exam on October 29, 1998, which resulted in the Waltham Municipal Employees Credit Union receiving a "Satisfactory" Community Reinvestment Act (CRA) rating.

## **Description of Assessment Area**

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the revised Massachusetts CRA Regulation 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Waltham Municipal Employees Credit Union, which is an industrial credit union, has a membership by-law provision based primarily on the employment/occupation. Consequently, for the purpose of this evaluation, the credit union's membership by-laws delineate the institution's assessment area(s).

Waltham Municipal Employees Credit Union's by-laws state: "Membership in this corporation is limited to those who are employees of the City of Waltham who are members of the Waltham Housing Retirement System, permanent employees of the Waltham Housing Authority, and former employees of the City of Waltham, employees of the Waltham Municipal Employees Credit Union, and spouses of deceased members whom are receiving a pension from the City of Waltham, except that persons not so eligible to membership may have joint accounts with members of the credit union for the purpose of deposit and withdrawal only."

Waltham Municipal Employees Credit Union currently has 1,138 members.

## **PERFORMANCE CRITERIA**

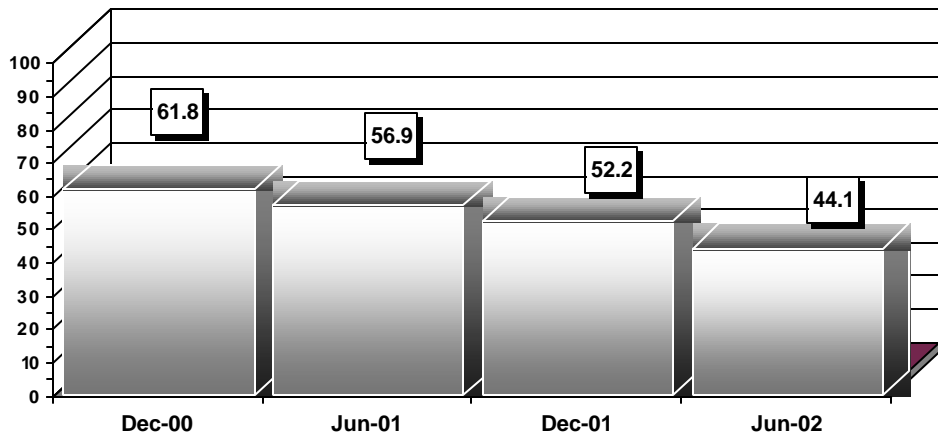
### **1. LOAN TO SHARE ANALYSIS**

The first criterion evaluated is the credit union's net loan to total shares and deposit ratio. The average net loan to total share ratio was determined to be 53.4 percent and is considered to meet the standard for satisfactory performance.

The exam analysis incorporated net loans to total share figures from the institution's NCUA Call Report of Condition for four semi-annual periods. The periods reviewed covered December 31, 2000, to June 30, 2002.

**WALTHAM MUNICIPAL EMPLOYEES CREDIT UNION**  
**NET LOAN-TO-SHARE RATIOS**  
**December 2000 - June 2002**

Chart 1



Waltham Municipal Employees Credit Union has been active as a consumer lender, originating 378 loans totaling \$2.6 million in 2000, 270 loans totaling \$1.6 million in 2001 and 154 loans totaling \$1.2 million Y-T-D 2002.

The following table provides net loan to deposit ratios for municipal credit unions with similar asset sizes based in Middlesex County. The ratios shown are calculated from NCUA Call report figures as of June 30, 2002. Waltham Municipal Employees Credit Union's ratio of 44.1 percent was adequate when compared to the other institutions.

<b>COMPARATIVE LOAN TO SHARE RATIOS</b>			
Institution	Net Loan-to Share Ratio	Shares	Assets
Burlington Municipal Credit Union	55.0%	\$6,755,241	\$7,650,600
Cambridge Firemen's Credit Union	46.9%	\$6,562,140	\$7,553,416
Waltham Municipal Employees Credit Union	44.1%	\$6,017,968	\$7,373,234
Cambridge Municipal Credit Union	35.2%	\$5,583,686	\$7,647,048

In summary, the net loan-to-share ratio appears to be adequate given the credit union's scope of operation. It is noted that the credit union's lending volume has decreased during the current examination and management has stated that the decreasing trend is attributable to the competitive interest rates, which are available at larger institutions and auto dealerships. Also, management stated that a substantial number of members have refinanced and paid-off all debt to the credit union.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

This criterion evaluates an institution's record of lending within a defined geographic assessment area. The Division of Banks' revised CRA regulation allows a credit union whose membership is not based on residence to define its assessment area as its membership. Since Waltham Municipal Employees Credit Union's membership is based on employment affiliation and not on residence, analysis of the institution's lending pattern inside and outside a geographically defined assessment area is not meaningful.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low and moderate-income within its membership. Both real estate related and consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to be reasonable and to meet standards for a satisfactory performance.

The distribution of real estate related and personal loan originations were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the property is located (or the members resides) to determine borrower income levels. By definition, borrowers qualify as low-income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income at 120 percent or more of median income.

The majority of members reside within the Boston, MA Metropolitan Statistical Area (MSA). The Boston, MA MSA Median Family Household Income (FHI) for 2000 was \$65,500, 2001 was \$70,000 and 2002 was \$74,200.

## **REAL ESTATE RELATED LENDING**

This section reflects the distribution of the credit union's real estate related loan originations by member's income levels. Waltham Municipal Employees Credit Union granted 14 second mortgage loans totaling \$107,000 in 2000, 11 second mortgage loans totaling \$152,000 in 2001 and 10 second mortgage loans totaling \$113,000 in Y-T-D 2002.

The information included in the following table indicates that, by number, 14.4 percent of the loans were made to moderate-income members. The remaining loans representing 85.6 percent were to middle and upper-income members.

<b>REAL ESTATE RELATED LOAN ORIGINATIONS BY INCOME OF BORROWER (Number)</b>								
<b>% OF MEDIAN MSA INCOME</b>	<b>2000</b>		<b>2001</b>		<b>Y-T-D 2002</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
LOW	0	0.0	0	0.0	0	0.0	0	0.0
MODERATE	2	14.3	2	18.2	1	10.0	5	14.3
MIDDLE	4	28.6	5	45.4	2	20.0	11	31.4
UPPER	8	57.1	4	36.4	7	70.0	19	54.3
<b>TOTAL</b>	<b>14</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>

Source: In-House files

The information included in the table below indicates that, by dollar amount, 12.2 percent of the real estate loans were granted to members with moderate-incomes while the remaining 87.8 percent were granted to middle and upper-income members.

REAL ESTATE RELATED LOAN ORIGINATIONS BY INCOME OF BORROWER (Dollar Amount)								
% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
LOW	0	0.0	0	0.0	0	0.0	0	0.0
MODERATE	58.5	14.3	48.0	15.9	20.0	6.1	126.5	12.2
MIDDLE	132.5	32.4	114.0	37.7	68.0	20.5	314.5	30.2
UPPER	217.5	53.3	140.0	46.4	243.0	73.4	600.5	57.6
<b>TOTAL</b>	<b>408.5</b>	<b>100.0</b>	<b>302.0</b>	<b>100.0</b>	<b>331.0</b>	<b>100.0</b>	<b>1041.5</b>	<b>100.0</b>

Source: In-House Files

The distribution of real estate related loans among members of different income levels (as shown in the above tables) indicates that upper-income families received the majority (54.2% by number and 57.6% by dollar amount) of these loans. Middle-income members received the second largest portion (31.4% by number and 30.2% by dollar amount). Moderate-income members received 14.4 percent by number and 12.1 percent by dollar amount. There were no originations to low-income members.

## **CONSUMER LENDING**

Consumer loans granted in 2000, 2001 and Y-T-D 2002 were also sampled and reviewed for borrower income levels. The following table provides a breakdown of a sample of 45 consumer loans originated among the credit union's membership by applicant income level. This analysis indicated that 15.6 percent was granted to low-income members and 42.2 percent was granted to moderate-income members.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER (Number)								
% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
LOW	0	0.0	4	26.7	3	20.0	7	15.6
MODERATE	9	60.0	3	20.0	7	46.6	19	42.2
MIDDLE	3	20.0	7	46.6	4	26.7	14	31.1
UPPER	3	20.0	1	6.7	1	6.7	5	11.1
<b>TOTAL</b>	<b>15</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>

Source: in-house files



The information included in the table below indicates that, by dollar amount, 15.7 percent of the consumer loans were to low-income members and 40.5 percent were to moderate-income members.

<b>CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER (Dollar Amount)</b>								
<b>% OF MEDIAN MSA INCOME</b>	<b>2000</b>		<b>2001</b>		<b>Y-T-D 2002</b>		<b>TOTAL</b>	
	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
LOW	0	0.0	34.1	28.6	31.6	24.1	65.7	15.7
MODERATE	80.9	47.8	30.4	25.5	58.3	44.4	169.6	40.4
MIDDLE	50.5	29.8	47.2	39.6	33.9	25.8	131.6	31.3
UPPER	37.9	22.4	7.5	6.3	7.5	5.7	52.9	12.6
<b>TOTAL</b>	<b>169.3</b>	<b>100.0</b>	<b>119.2</b>	<b>100.0</b>	<b>131.3</b>	<b>100.0</b>	<b>419.8</b>	<b>100.0</b>

Source: in-house files

The credit union's lending distribution for consumer loans is represented in all categories of the member's income levels. Moderate-income members received the largest segment (42.2% by number and 40.4% by dollar amount), while upper-income members received the smallest percentage (11.1% by number and 12.4% by dollar amount) of the consumer loans granted.

It is noted that the majority of the consumer loans were granted to single applicants.

The credit union's distribution of real estate related loans and consumer loans by borrower income levels demonstrates that the majority of these loans are granted to low and moderate-income members. This distribution is good given the income levels of the majority of the membership. The credit union's lending for this criterion meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

This fourth performance criterion evaluates an institution's record of addressing credit needs of the assessment area based on the geographic distribution of loans. This geographically based analysis is not meaningful for Waltham Municipal Employees Credit Union; since under the revised CRA regulation a credit union whose membership by-law provisions are not based on residence are permitted to designate its membership as its assessment area. As noted in the Assessment Area Description, the credit union's membership is based on employment affiliations.

## **FAIR LENDING POLICIES AND PRACTICES**

The credit union's small asset size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. Outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The credit union has developed a formal second review process in which all loans considered for denial are referred to the Credit Committee, prior to issuing a notice of denial.

The credit union's marketing activity includes placing information regarding its credit products and services on bulletin boards located in the various departments within the City of Waltham. Lobby brochures are also provided in its main office. The credit union includes statement stuffers in correspondence sent out to the membership. The credit union also publishes a newsletter "Credit Union News", which informs its members of new products and services and helps to keep members abreast of current savings and credit issues.

Due to the credit union's industrial nature and lack of demographic information concerning race, a minority application flow analysis was not completed.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**WALTHAM MUNICIPAL EMPLOYEES CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 17, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.